ptember 16, 1959

Investor's Reader

For a better understanding of business news

THE US INVESTS IN THE COMMON MARKET (see page 1)

BORDEN CHEERLEADER

This likable young model, according to the press release, "wears her sweater with a big 'B' not for Barnard, Bennington or even Bryn Mawr but for Borden." Her task is to tell the kids (via dad, no doubt) about the No 2 dairy company's big premium promotion: a set of five college pennants if you send in an ice cream or milk carton panel plus 25¢. The pennants are described as a "self-liquidating premium" which means the cash fee will cover cost of the pennants plus handling expenses. With 26 five-college sets to choose from, Borden expects to distribute 10,000,000 pennants this Fall—and in the process induce the kids to down many extra gallons of milk and ice cream.

Behind the sturdy line formed by the dairy business, quarterback Harold Comfort has stressed flashier diversification plays to help the $350,000,000-assets Borden Company grind out the yardage needed for new earnings records in each of the past three years. With six-month profits of $2.46 a share v $2.31 Borden seems well on its way to another first down in 1959.

Biggest diversification (24% of company sales) comes from the Foods division which cashes in on the convenience trend with a variety of prepared and instant dishes. This Summer it acquired the Snow Canning Company of Maine, a leading clam processor. Smaller (5%) but promising is the Chemical division with industrial resins and Elmer's household glue (100 gallons of the same glue were used to patch up the historic US Frigate *Constellation*). Also growing rapidly are foreign operations in chemicals, foods and dairy.

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The Old US and the New Europe

Continental Economic Teamwork Draws US Company Participation

THE European Common Market—a history-making economic alliance of six nations on the Continent of Europe—is paying the US one of the finest compliments this nation has ever received: flattery by imitation. So sincere are the European flatterers American businessmen are busy thinking of ways to beat 'em or join 'em.

The imitation compounds free enterprise and federalism and the aim—admittedly many years off—is a United States of Europe. Meantime there is a gradual adoption of principles which fall strangely on nationalistic terrain: free movement of labor, capital and goods among the six participating nations; creation of supranational political bodies with powers to weigh the interests of the six nations together against those of any one nation.

For the US, the forward steps of the Common Market Six and the separate efforts of the Outer Seven and other interested nations on the periphery mean the gradual economic and political strengthening of Europe, with all this implies in greater Free World security, smaller foreign assistance appropriations (perhaps even a helping check-writing hand for development of countries on other continents), a richer potential market. But in return for a strong Europe, the US must put up with increasingly stiff competition for American goods not only on the European home grounds but in "third countries" like South America where both US and European imports compete for local favor and also right here in the US domestic market.

One direct answer has been a stepped up campaign by scores of large & small US manufacturers to establish European subsidiaries or

affiliates. Though total US foreign investment abroad was off one-third during the first half of 1959, the Commerce Department reported increased spending in Common Market countries, notably France, Germany and Italy. A recent McGraw-Hill survey showed the US manufacturing & oil companies queried planned to spend $714,600,000 in 1959 on European capital projects and $851,400,000 in 1960 *v* $621,800,000 in 1958. The total corporate stake in Europe now stands at $4.5 billion, nearly triple what it was ten years ago. The step-up in this year's spending is in the face of a 10% cutback by the oil companies in 1959 from 1958.

Merge for Strength. What hits the American eye in the Common Market setup is not just what is being done, but who is doing it. By some miracle France and Germany, deadly rivals for centuries, are two key participants. Italy, often at loggerheads if not bayonet point with both northern countries, is another team member. The other three, already well-known for their ability to work together, are the Benelux nations—Belgium, the Netherlands and Luxembourg.

Explanation of this paradoxical union is a common bond—being caught economically and politically between the US and Russia. Like many small companies surrounded by stronger, more efficient rivals, they concluded: merge or go out of business.

The road toward the Common Market is paved by three supranational organizations. Most important and all-inclusive is the European Economic Community Treaty signed in Rome in 1957. A concurrent treaty established the European Atomic Energy Community (Euratom for short). Older than both and a model for their establishment is the European Coal & Steel Community, established in 1952 to allow free movement of coal and steel among the member nations.

Each of these organizations has legislative and executive powers; furthermore the EEC has a high court to interpret the provisions of the treaty. Enforcement of decisions of the deliberative bodies must be by cooperation of the individual countries.

Gradual Program. The European Common Market is not springing forth full-grown overnight. The Economic Community treaty envisages a true Common Market set up within 12-to-15 years from the January 1, 1958 starting date through progressive battering down of tariff and other barriers which keep goods from flowing among the six nations. This January the first 10% tariff cut and 20% quota easement were put in effect with similar relief due in each of the next two years. Later stages are intended to remove all tariff and quota restrictions. However the sextet would be grouped behind a common tariff wall against the rest of the world.

During the same 12-to-15 year period labor will gradually be freed to move across frontiers as needs arise throughout the Market area. Capital will enjoy similar free movement with investors in one Market nation

able to invest in the others. Physical resources can be pooled. All these steps will facilitate centralized mass production.

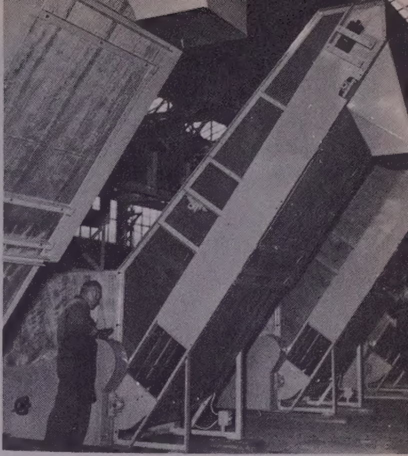
All in all, the 165,000,000 population (and it is growing) of the six nations will be a great deal more like citizens of the same nation for economic purposes. And when the full Common Market is accomplished, many of its sponsors and well-wishers hope common interest will force the participating nations so close together political merger will be sought.

The sextet's combined gross national product is now roughly $198 billion or 45% of the corresponding US product despite almost as large a population. But in recent years the Common Market Six has boosted its total output of goods & services at nearly double the US rate and the strong implication is economic union will aid to further narrow the gap.

But economic cooperation is not going to be accomplished without some discommoding. Local businesses will be hurt, unemployment will crop up in some places and labor shortages in other areas as businesses relocate.

Overseas colonies, particularly in Africa, also present problems. They will be fitted into the Common Market on a sort of associate basis and receive development aid. But political strife in the colonies as their citizens seek a higher degree of self-goverment means difficulty even when the parent country is in good political and economic health.

Sixes and Sevens. There is also the problem of economic relations of



AMF tobacco chutes in Italy

the Six with their close neighbors. The so-called Outer Seven—Austria, Britain, Denmark, Norway, Portugal, Sweden, Switzerland—have discussed a Free Trade Area which would eventually be integrated into the Common Market. But this pleasing prospect has been delayed since Britain would be unacceptable to the Common Six while it extends preferential treatment to Commonwealth members. And Britain is definitely not prepared to loosen economic ties with the Commonwealth.

However the Outer Seven are eager to get together among themselves. In Stockholm in July they agreed on the details of their trading bloc and a formal agreement is expected this Fall. The Free Trade Area would cut internal tariffs and increase trade quotas among the seven nations. But it would not build up a common external tariff wall and it most certainly does not contemplate political union, an idea particularly unwelcome to Britain.

Nevertheless, there is considerable

SOME OF THE US COMPANIES ACTIVE . . .

Abbott Laboratories	Carborundum	Emhart Manufacturing
Addressograph-Multigraph	Case (JI)	Eurofund Inc
Aerojet-General	Caterpillar Tractor	Ex-Cell-O Corp
Aeroquip Corp	Cenco Instruments	Ferro Corp
Allied Chemical	Cessna Aircraft	Ford Motor
American Cyanamid	Chrysler Corp	Friden Inc
American Express	Cincinnati Milling Machine	Fruehauf Trailer
Amer Machine & Fdry	Cities Service	Gardner-Denver
American Motors	Clary Corp	General Controls
Amer Radiator & Std San	Coca-Cola	General Electric
Archer-Daniels-Midland	Colgate-Palmolive	General Foods
Automatic Canteen	Columbian Carbon	General Motors
Babcock & Wilcox	Consol Electrodynamics	General Transistor
Baxter Laboratories	Container Corp	Gillette Company
Beech Aircraft	Continental Can	Goodrich (BF)
Bell Aircraft	Continental Oil	Goodyear Tire & Rubber
Bendix Aviation	Corning Glass Works	Gould-National Batteries
Berkshire Hathaway	Corn Products	Grace (WR)
Black & Decker	Deere & Company	Grinnell Corp
Black, Sivalls & Bryson	Dow Chemical	Grumman Aircraft
Borden Company	Dravo Corp	Gulf Oil
Brunswick-Balke-Collender	DuPont	Hamilton Watch
Budd Company	Eastman Kodak	Heinz (HJ)
Burroughs Corp	Ekco Products	Hertz Corp
Campbell Soup	Electronic Associates	High Voltage Engineering

pressure for some sort of reconciliation between the FTA and the Common Market. One big factor: Germany exports more to the Outer Seven than to the Common Market.

US Stake. Whatever the outcome, Americans will definitely find Europe competing more strenuously with the US—and likewise with Russia. Europeans will be able to produce goods more efficiently and on a larger scale than ever before. For quite a while at least they will have lower labor costs than the US.

The US ace in the hole, of course, is her research and development and her numerous unique, mass-produced products not available anywhere except through her own manufacturers. Automation, whether the US unions like it or not, is a key to keeping labor costs low enough so the US can compete even though the reduced number of people on a job are paid well.

Addressing themselves to the new competition, American businessmen have been making plans either to speed up exports or get into the Common Market from within. More & more US companies of all types and sizes from du Pont to High Voltage Engineering are choosing to invest in plant and equipment in Europe. A representative but far from all-inclusive sampling is listed in the table above. Here are some more details on how some of these firms are tackling the Common Market:

The drug industry, with such American discoveries and developments as polio vaccine and tranquilizers, is well suited for marketing overseas and well accustomed to do-

. . . IN EUROPEAN COMMON MARKET AREA

Houdaille Industries
Ingersoll-Rand
IBM
International Harvester
International Paper

Int Telephone & Telegraph
Jewel Tea
Johns-Manville
Johnson & Johnson
Joy Manufacturing

Lilly (Eli)
Lockheed Aircraft
McDonnell Aircraft
Merck & Company
Metals & Controls

Minnesota Mining & Mfg
Monsanto Chemical
Nalco Chemical
National Cash Register
National Dairy Products

National Lead
Northrop Corp
Ohio Brass
Olin Mathieson Chemical
Otis Elevator

Outboard Marine
Parke-Davis
Parker Pen
Pepsi-Cola
Perkin-Elmer

Pfizer (Chas)
Philco Corp
Phillips Petroleum
Piper Aircraft
Polaroid Corp

Procter & Gamble
Quaker Oats
Radio Corp of America
Reichhold Chemicals
Republic Aviation

Rheem Manufacturing
Rockwell Manufacturing
Ronson Corp
Royal McBee
Schering Corp

Scott Paper
Siegler Corp
Sinclair Oil
Singer Manufacturing
Smith-Corona Marchant

Smith Kline & French
Socony Mobil Oil
Sperry Rand
Square D
Standard Oil (Ind)

Standard Oil (NJ)
Sterling Drug
Sunbeam Corp
Texaco Inc
Thiokol Chemical

Timken Roller Bearing
Underwood Corp
Union Carbide
United Aircraft
US Rubber

Upjohn Company
Vertol Aircraft
Warner-Lambert
Western Electric
Westinghouse Air Brake

Westinghouse Electric
West Point Manufacturing
West Va Pulp & Paper
Woolworth (FW)
Worthington Corp

ing it. **Eli Lilly**, for instance, plans to establish a new $1,300,000 manufacturing affiliate near Florence, Italy; also a sales subsidiary in Geneva, handy to the Common Market though not within it.

Merck, which derived 27% of both its 1957 and 1958 sales from outside the US, will add to its facilities in Haarlem, Netherlands. **Abbott Laboratories** is expanding its French plant, already has plants in Italy and Belgium. **Smith Kline & French** in June acquired a minority interest in a Belgian producer of antibiotics and vaccines which will also distribute Smith Kline drugs in Benelux.

Chas Pfizer products are manufactured through associated companies in Belgium, France, West Germany and Italy with distribution facilities in the Netherlands and Luxembourg. At the start of 1951 Pfizer had not a single employe outside the US. Now it has some 7,000 of more than 50 nationalities over the globe.

Another drug firm planning "substantial" Common Market expansion is **Johnson & Johnson** which has a German subsidiary and manufacturing operation. **Schering Corp** which had 1958 foreign sales of 21% is reportedly studying acquisitions in Europe.

In the fast-growing electronics field, US innovations also have a chance to score heavily and profitably in Europe. **Consolidated Electrodynamics** established a wholly owned engineering subsidiary in Frankfurt, Germany in 1958, says the European Common Market "was instrumental in the company's decision to establish the subsidiary." It stands ready to move into manufacturing when-

ever business conditions justify it. But Rodney W Meyer, boss of Consolidated's international department, calls the Common Market a "step by step plan" and "foresees difficulties and delays all along the way."

The 22 foreign countries where **International Telephone & Telegraph** operates include five of the six ECM nations. Sales from Western Europe alone totaled 39% of IT&T's sales in both 1958 and 1957.

General Controls set up a German subsidiary in Dusseldorf to act initially as a European sales and distribution organization; limited manufacture is planned by year end. **Cenco Instruments** will produce industrial and school instruments and scientific apparatus in Breda, Holland. Like some industry-hunting municipalities in the States, the City of Breda is building the plant and will lease it to Cenco for a 20-year period after which it becomes the property of the company.

High Voltage Engineering formed a Dutch subsidiary to conduct sales, manufacturing and service within the Common Market area, is building a new plant at Amersfoort, Netherlands.

Many US office equipment companies are already well established in Europe. **IBM** has eight factories in the Common Market area, the largest position of any US office equipper there. It also has a nine-story office building underway in West Berlin's new commercial center, the Ernst Reuter Platz.

Another US office giant with widespread European operations is **National Cash Register** which in 1958 realized $1,510,000 of its $8,300,000 net income from Western Europe alone. **Royal McBee** has two plants leased by subsidiaries in Holland and another in Monza, Italy. The Dutch subsidiary is contemplating an additional typewriter plant in Leiden.

Sperry Rand which has 37 plants in a score of countries and draws one-fifth of its near-billion sales from abroad is well-entrenched throughout the Common Market. It produces office equipment in France, Germany, Holland and Italy as well as several Outer Seven locations.

Smith-Corona Marchant a year ago acquired the Hamann Division of German Telephone & Cable Industry Inc, a calculator manufacturer. **Burroughs Corp** which already had one plant in France bought another near Rouen in March.

Chemical companies are among the American leaders in the invasion of the Common Market. Influenced greatly by the Market's establishment, **duPont** organized subsidiaries in Holland and Belgium to build plants in those countries. The Belgian plant at Malines is scheduled to begin making paint late this year. In Dordrecht, Holland a "multi-million dollar" Orlon acrylic fiber plant is under construction. It will employ some 400 workers and have a capacity of 15,000,000 pounds of staple and tow fiber.

Monsanto Chemical has the biggest existing operations of any of the US chemical companies in Europe with its share of foreign affiliates' assets there totaling $135,000,000 in 1958 against $49,000,000 in 1953. Monsanto has a 40% interest in Sicedison

SpA, a big Italian chemical company with two substantial plants in Northern Italy. In France Monsanto is joint owner of Societe Monsanto-Boussois which is expanding its plant.

One of the largest recent expansion programs in the Common Market is that of **American Cyanamid**. As part of a planned expenditure of $13,000,000 by the end of 1960 on nine manufacturing facilities in seven countries, Cyanamid will form a new Italian subsidiary through the purchase of certain assets of Azienda Laboratori Farmaceutici (Alfar), including a pharmaceutical plant in Catania, Sicily. Total investment is $4,800,000.

This brings to five the number of manufacturing facilities operated by Cyanamid and its affiliates within the European Common Market area. The company has plants to produce Formica in the French Pyrenees (see cover) and in Germany—part of a joint venture with Britain's De La Rue Company. Cyanamid has a Belgian plant run by its Lederle Labs division. And late in 1957 it joined with a Dutch company to build a plant to make a platinum catalyst used in the petroleum industry. To provide research facilities for these operations Cyanamid has set up a center in Geneva.

Union Carbide has a joint venture with Edison Company of Milan called Celene Corp. Plans are to double the capacity of Celene's polyethylene plant in Sicily to 60,000,000 pounds annually. **Columbian Carbon** is building a $6,000,000 plant in Italy to produce carbon black (used in tires). A joint subsidiary of **Phillips Petroleum** and **Continental Oil** has another carbon black plant being built in France. **Carborundum Company** which already has European plants in Germany and Brussels recently formed a Swiss subsidiary to act as marketing and licensing agent for its European operations.

Rubber manufacturers also are lured by the Common Market. **Goodyear** last month announced a $7,000,000 investment for a tire plant in Amiens, France; it already has a plant in Luxembourg. **B F Goodrich** is joint owner with a Dutch company of a synthetic rubber plant being completed this Summer. **US Rubber** in 1958 acquired new European manufacturing sources in Belgium, Germany, France and Italy.

Oil companies have varied interests in Europe, covering exploration, drilling, production, refining, piping and marketing. Some of the exploration is taking place right on the Continent, in France, Italy and Germany, and more in the Sahara, the Algerian portion of which is still attached to France. In France is **Standard Oil (NJ)** subsidiary Esso Standard S A F which holds an exploratory permit on a 4,358,000-acre tract near Bordeaux. Another Jersey subsidiary began producing in the Parentis and Lugo fields of France in 1955. **Standard of Indiana** is exploring both in Algeria and Italy while **Socony Mobil** has an interest in production from oil fields in Germany, conducts exploration in France. **Gulf** explores and produces in Sicily. **Sinclair** is combing some 3,000,000 acres in the Algerian Sahara.

Perhaps the biggest US-backed oil

development in the Common Market is the building of a $50,000,000 (estimated) refinery at Karlsruhe, Germany by Esso A G, a Jersey Standard subsidiary which is one of Germany's largest companies. The new refinery is slated for completion in 1962. It will be supplied by the South European Pipeline being built by a host of American and European oil companies to pump oil from Marseilles to Strasbourg, France and on to Karlsruhe. Esso A G is also building an $11,900,000 steam cracker (its second) at its Cologne refinery.

Companies specializing in machinery are active in Common Market countries. **American Machine & Foundry** recently announced a $500,000 expansion program at its AMF-SASIB subsidiary in Bologna, Italy. The 110,000 square foot plant makes tobacco processing equipment (see picture, pg 3) and railroad ticket machine and signal devices. As part of its program to introduce Europeans to American bowling (chiefly through a plant in Sweden) the company is also setting up an office in Wiesbaden, Germany to service its automatic pinspotters. Bowling veteran **Brunswick-Balke-Collender** (see inside back cover) has manufacturing facilities in Ireland and West Germany.

Timken Roller Bearing early this year began construction of a $10,000,000 roller bearing plant on a 68-acre site in Colmar, France, Timken's second plant in that country. **Ex-Cell-O** has a machine tool plant abuilding in Eislingen, Germany to add to an existing plant at Goppingen, Germany.

American paper companies are by no means all rushing to Europe but several important installations are on stream or in prospect. The team of **Scott Paper** and the British-Canadian-American **Bowater** paper empire combined on a Belgian plant to convert paper stock into tissue for sale in the Common Market area. **Container Corp** has built two plants in Germany, acquired five others. **International Paper** early in 1959 joined forces with a German firm to make box materials in Germany.

The US automobile industry relies almost entirely on its manufacturing facilities within the Common Market to realize benefits from it. Tariff rates and quotas make import of US cars all but impossible. Ford's Ernest Breech, in a plea for US access to Europe, asserted a 1959 Ford Fairlane hardtop costing $3,600 in the US would cost $8,200 in France and $5,800 in Italy. Moreover, he says France admits only 12,000 US cars and Italy a few hundred.

Happily for Big Three companies they are already established in the Common Market with European-type small cars. **General Motors** German subsidiary Opel, acquired in 1929, is one of that country's largest companies. **Ford's** almost wholly owned subsidiary in Germany makes Taunus cars and is rated the fifth largest car producer in Germany. Ford also has a distributing subsidiary in France.

Chrysler is represented in Europe through its 25% ownership in Simca, which it acquired (in good part from Ford) in early 1958. All these European vehicles may be seen

DE VILBISS SPRAY

One beauty aid glamor girls from Cleopatra through ante bellum Southern belles could never have imagined is a simple purse-sized perfume atomizer which this young lady and her contemporaries take quite for granted. Atomizers of any type did not appear until well after the Civil War when Dr Allen De Vilbiss became dissatisfied with the swabbing cure for sore throats and invented a medicinal atomizer from a "can, a rubber ball and a couple of pieces of tubing."

In 1888 he set up shop in Toledo and the De Vilbiss Company went into full-scale production of atomizers and other precision surgical equipment. Now an $18,000,000-assets concern, the company he founded is still headed by a De Vilbiss (his grandson Howard) and still makes atomizers—both medicinal and cosmetic. However the big part of the business (nearly 90%) now comes from a related product—air compressors and industrial spraying equipment used by auto, aircraft and furniture manufacturers.

Last year De Vilbiss sales rose 10% to $28,700,000. However earnings fizzled to $921,000 or $1.27 a share from $1,557,000 or $2.13 in 1957. The profit plunge was attributed to increasing costs and unprofitable operations of subsidiary De Vilbiss Metal Fabricators (industrial ovens, spray booths, etc) in the first half of the year.

A different picture was painted in the first six months of 1959: sales increased 21% to $14,500,000 while earnings more than quintupled to $482,000 (66¢ a share) from $83,000 or 11¢.

Reflecting the improvement, directors set a 25¢ quarterly dividend rate on the new shares when the stock was split 2-for-1 in May. This restores the rate to the basis which had prevailed up to April 1958 when payout on the old stock was slashed from 50¢ to 25¢. Based on the current Big Board price of 20 the 730,000 new common shares (over one-third held by the De Vilbiss family) yield an attractive 5%.

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on the streets of at least the more populous centers of the US—in competition with their corporate parents' homemade efforts.

American Motors is not entrenched in Europe—except for foreign operations of its Kelvinator appliance division. Kelvinator recently entered into a licensing agreement with Necchi Company of Italy to make Kelvinator refrigerators and compressors in that country. **Studebaker-Packard** has exclusive rights through 1971 to distribute and sell the Mer-

cedes-Benz German-made passenger cars in the US.

While many US industries consider the Common Market a positive opportunity or at least not a threat, two industries are feeling the pinch from foreign producers even now. These are steel and textiles. A number of forms of finished steel, eg barbed wire, nails and cable, are being produced more cheaply abroad and are taking markets away from big American steel companies. Similarly the textile field suffers though its competition is more severe from Japan than from Europe.

In aviation where US-built planes still dominate the world's airways there have also been some European incursions starting with the British Viscount. The French Caravelle medium-range jet and Alouette jet copter have won some admiring friends though as yet no US orders. But the prevailing winds still blow from the US to foreign customers, with Boeing, Douglas and Lockheed getting a sizable portion of the business. In most cases the US companies either set up sales and perhaps service subsidiaries or license European companies to produce parts according to their specifications. None has gone to the extent of setting up its own full-scale plant. Among companies with stepped-up European selling efforts are United Aircraft, Bell, Republic Aviation and private plane maker Piper.

A host of other well-known American companies are active in Europe. **Corning Glass** and the Sylvania Electric subsidiary of **General Telephone & Electronics** are partners in the Sylvania-Corning Nuclear Corp. Sylvania-Corning has arranged to buy a large interest in a French nuclear concern which will share research, manufacturing techniques and technical data with the parent companies.

Well-known national advertiser **Gillette Company** has a new plant abuilding in France to add to another French plant and a German one. **Coca-Cola** added 12 new bottling plants in Western Europe and Britain in 1958, is opening more this year. Rival **Pepsi-Cola** has concentrate plants in France and Germany, bottling plants scattered throughout Europe. **Colgate-Palmolive** is building a second detergent plant in Italy, spent a total of $9,870,000 on foreign plants in 1958, though only a portion of this was in the Common Market area.

Perhaps the only US retail chain with a foothold in the Common Market is **F W Woolworth** with an 83-branch, 97%-owned German subsidiary. The chain plans to open five new stores and improve four others in 1959. The German subsidiary turned over $627,000 in dividends to the parent company in 1958. This amount is dwarfed, however by the $11,498,000 in dividends from British Woolworth which draws its profits from stores throughout much of the Commonwealth.

The Common Market has excited not only US companies but also US investors. Their interest in European equities is said to be an important factor in the sharp rise in Europe's stock markets (IR, August 5, June 10).

NATIONAL ECONOMY

Pool School

THE BACKYARD swimming pool has truly come of age. This latest status symbol, already embedded in the lawns of 170,000 US homes, will be subject of the first National Swimming Pool Exposition in the New York Coliseum in mid-December and a month later a Miami pool specialist will conduct a five-week "School of Pools" for the general practitioner variety of home builders.

BUILDING MATERIALS

Gladding McBean Fashions

THE HILLS of Southern California furnish the Pacific Coast's chief potter Gladding McBean & Company with one of man's oldest resources — clay. From this basic raw material the Los Angeles company molds its four major lines of diversified clay products: 1) clay sewer pipe, electrical conduit, flue lining, drain tile; 2) refractory products such as fire brick; 3) architectural products like Hermosa floor & wall tile, ceramic veneer, roof tile; 4) dinnerware which includes Franciscan china and earthenware.

Last year these clay products molded $30,300,000 sales for GLD (Big Board ticker symbol), a recession-affected 14% below 1957. But a company official states: "So far this year GLD's sales are running well and for the full year may reach the record $35,000,000 of 1957."

He elaborates: "Our sales of sewer pipe are doing very well especially with the new plant at Corona, Cal in production. This makes possible our meeting the heavy demand for pipe in an economical manner." GLD boasts its vitrified clay sewer pipe is inert and resists acids and alkalis. However it faces competition for waste disposal from fiber and cement pipe which has led to rumors GLD might consider a broader line itself.

Another area "doing well" is architectural products. The high rate of home construction (an estimated 1,300,000 starts for 1959) puts tile "in high demand." And while home building has started to ease again, Gladding can look to more business from rapidly increasing industrial & commercial construction.

Gladding ceramic know-how carries over from utilitarian building products to glamorous Franciscan dinnerware. The Glendale plant which combines earthenware and chinaware production for increased efficiency "should bring second half returns from this division above the first half showing."

Two years ago GLD solved the problem of competition of lower-priced Japanese china imports. It contracted with the Japanese manufacturers of Noritake china and Kokura earthenware for imports to be sold under the Franciscan trade name.

The one area currently in "a down-trend" is refractory products—fire bricks used extensively throughout the steel industry as liners in blast furnaces. But the high rate of steel operations due to be resumed after

the strike should again bring husky demand — especially as the strike-forced shutdown of steel furnaces will by itself damage many bricks and require more replacemnts.

The GLD official estimates earnings for the year at "little short of $2," up from $1.07 a share last year. GLD's 1,600,000 shares of common also show a rise. They now trade on the NYSE at 23, four points below this year's high but eight points above a year ago.

CHEMICALS

Nalco Move into New Fields Secures Old & New Markets

LIKE the ancient Greek philosopher Thales who believed all things came from water, Chicago-based Nalco Chemical built its business on this "primary element." It started in 1928 to make water treatment chemicals and the whole development of the $27,000,000-assets company flowed from this liquid source. From one basic chemical, water clarifier sodium aluminate, the company's product roster has grown to include some 400 chemical products used in virtually every industry.

President Joseph A Holmes, who started as Nalco's first chemist, reports: "We changed our name in May from National Aluminate Corp to Nalco Chemical Company. This concisely explains our changed position. We felt our old Aluminate name constrictive in light of the wide range of products the company now produces." Nalco's principal products cover the range of water and petroleum treatment chemicals, corrosion inhibitors, anti-foams, herbicides, microbiocides, water softening resins, petroleum catalysts, coagulants and intermediates.

Nalco's vital job of treating industrial water to remove impurities has remained its mainstay during the company's 30-year history. It still provides slightly over half the company's sales. But now instead of a single formula it is a whole set of specially tailored chemicals which control corrosion, reduce scale and prevent formation of foam and slime. They are utilized in almost every industry from air conditioning to zinc smelting.

Nalco's water know-how also opened the sluice gate into promising foreign channels. During War II the Allied invasion forces found captured enemy rail equipment unusable; locomotive boilers and pipes were badly scaled. Nalco water treatment chemicals restored the ailing engines and won the company a wide European demand for its specialty products. As president Holmes explains: "Railroads constitute a most favorable channel of introduction to a country. If you serve the railroads you make industrial contacts from border to border."

Nalco presently does 10% of its water treatment business overseas and expects to increase this percentage. Facilities include wholly owned subsidiaries in Italy and Germany which offer a broad line of Nalco products to railway and industrial customers in Europe and the Near East; also a 51%-owned subsidiary in Spain which sells mainly to the transportation industry. A Vene-

zuelan plant was started in June; in addition president Holmes reported establishment of three new foreign companies, Nalco de Mexico, Nalco Ltd (Britain) and Nalco International which will serve Caribbean and certain South American countries. Joe Holmes adds: "We are also stepping up activity overseas in areas where we are established."

New Fields. Not only did War II open new markets for Nalco water treatment chemicals, it provided impetus for the company's first big diversification venture. Nalco knowhow on ion exchange materials (widely used in domestic and industrial water softening) led the company into the manufacture of petroleum catalysts in cooperation with the Defense Plant Corp. The company was largely able to use the same plant facilities for the production of the catalysts as for the ion exchange materials.

Today the company's biggest customer is the oil industry. It not only buys Nalco catalysts and water treatment products but also fuel stabilizers, process corrosion inhibitors and emulsion breakers.

A further drive toward diversification was added by the postwar railroad shift from steam engines to diesels. Steam locomotives had been one of the largest users of water purification materials and rather than lose a prime customer Nalco researchers came up with a whole group of new products for the railroads. These include diesel fuel oil additives, locomotive wheel flange lubricants and weed & brush control chemicals.

Nalco's first chemist

At the same time the energetic chemical company responded to reduced railroad water demand by developing a greater market for industrial water treatment. Joe Holmes explains: "There is much more to be done to treat water for industrial use than there is just to make it fit to drink." He continues: "You can put into your stomach what you'd never put in a boiler." While industry takes the spotlight, Nalco also supplies purification chemicals to municipal water systems.

Last year Nalco pushed toward more diversification through a different formula; it acquired three companies: 1) Oil Products & Chemical Company of Chicago which manufactures extreme pressure lubricants for metal working; 2) Howe-Baker Engineers Inc of Tyler Texas which designs and installs electrostatic desalting and process-

ing equipment for oil refineries; 3) Flox Company of Minneapolis which distributed and serviced Nalco industrial chemicals in the Northwest, Alaska and Hawaii. But currently president Holmes maintains "we have nothing new in acquisitions in mind at present."

Chemical Payoff. The soundness of Nalco's expansion drive is backed by the company's financial statements. In the past decade sales have more than tripled from $11,700,000 in 1949 to $37,800,000 last year; earnings grew from $1,300,000 in 1949 to $3,200,000 ($2.83 a share) last year. Foreign subsidiaries have been consolidated since 1957.

For the current year president Holmes predicts sales of some $45,-000,000, up 20% from last year. He continues: "The steel strike will affect our third quarter some but for the full year the strike (provided it ends by October 1) should have little effect." Wall Streeters estimate the company's 1,168,000 shares which trade over-the-counter around 67 (up 25 points since early this year) will earn a fat $3.75 a share, some 30% above 1958.

Diamond Alkali Sparkles

DIVERSIFICATION and modernization have been the keynote at Cleveland-based Diamond Alkali Company in all the postwar years. In fact capital outlays since 1946 have climbed to well over $150,000,000, equal to $54 a share. The money has accomplished several noteworthy changes for this basic chemical producer (soda ash, caustic soda, chlorine, etc).

A dozen years ago sales were in the $40,000,000 area and over 90% of output came from the main installation at Painesville, Ohio, some 30 miles east of Cleveland. This year revenues are likely to top $130,000,-000 and while Painesville business remains important, nearly three-fifths of total production now comes from 15 plants scattered all the way from Ohio to Deer Park, Texas (a few miles from Houston) to Emeryville, Cal (next door to Oakland).

More important, profits spiraled from $2,600,000 in 1946 to substantially higher levels. An alltime high of $10,400,000 or $3.83 a share was reached in 1956. The next year increased expenditures for the expansion program plus losses from Black Leaf house & garden insecticides (Diamond sold the line the same year) dropped net to $2.53 despite somewhat higher volume. In the 1958 recession volume dipped 7% to $114,000,000 and profits declined to $6,470,000 or $2.32 a share.

Happily though, 1959 already has all the earmarks of a banner year and may even surpass record 1956. First half sales gained 17% while earnings rose to $1.85 a share *v* 86¢ last year. A Diamond officer concedes "we don't expect to maintain through the rest of the year the [$1.10] level of earnings of the second quarter. However we will maintain about the same profit margins [9% after taxes in the second quarter] and if everything keeps going all right our net may exceed $3.50 for the year."

This would make the present "DIA" Big Board quotation around

'60 equal to roughly 17 times earnings—a relatively moderate ratio for a chemical company these days. And some Wall Streeters project a more optimistic earnings range somewhere between $3.70 and $4.

DIA pays a 45¢ quarterly dividend on its 2,800,000 shares. In 1955-57 this was supplemented by an annual 3% in stock. Concedes an executive: "I can't say what the board will do but if earnings remain high through the year the same circumstances will exist as when the directors did declare a stock extra."

Plastic Soda. In line with this buoyant mood, Diamond plants are humming at 90% of capacity. A $20,000,000 expansion at Deer Park was completed this July raising DIA's caustic soda-chlorine capacity 20%. The company is also enlarging its soda ash and chlorine operations at Painesville with completion slated for sometimes in 1960.

These moves will firm Diamond's position as a major inorganic chemical producer. Currently it supplies 10% of the total US chlorine requirement, 15% of the alkali requirement (soda ash, caustic and bicarbonate of soda), 20% of silicate of soda needs and 35% of chromium chemicals.

Inorganics form the big portion of Diamond's business but the company also looks to the fast-growing organic chemical field for future gains. The plastics division produces polyvinyl chloride resins used in everything from rainwear to floor tile and although "the division didn't make a lot of money last year it is doing a lot better this year." Diamond feels "plastics and chlorinated products have the greatest growth aspects for us." To feed the mushrooming market the company doubled its plastic capacity at Deer Park in 1957.

Deer Park plastics plant

Another major project now underway is the $3,000,000 research center at Painesville. The first phase will be finished in 1960—Diamond's golden anniversary. DIA has increased research outlays from less than $1,000,000 in 1952 to $3,800,000 in 1958 and "will probably spend slightly more this year."

Appraising research results, a Diamond spokesman notes "we have nothing close to fruition—that is to say, in a month or so—but we do have some fine products now under study which could turn out to be very important in the future." Some examples: a new iron desulphurization process and a silicate adhesive used in the boxboard industry.

BEVERAGES

Canada Dry Hard Buy

MAINLY KNOWN for its ginger ale and club soda, Canada Dry Corp of Manhattan is taking a more spirited stand at the bar. The company has for 26 years distributed Johnnie Walker Scotch in the US; later it added Pedro Domecq sherries and Power's Irish whisky. But only since 1955 has Canada Dry marketed alcoholic beverages under its own trademark.

The familiar name on bourbon, gin, vodka, cordials and liqueurs proved beneficial to spirit sales and president Roy W Moore Jr reports: "Liquor sales contribute approximately 30% to our total volume and of course both liquor and soft drinks are going ahead all the time."

Canada Dry bourbon is a prime example of the company's new business and its sales have tripled in the past three years. To insure an adequate supply and also gain certain operating economies, Canada Dry last month bought Kentucky River Distillery. Located in the Daniel Boone country of Nicholsville, Ky, this plant has manufactured Canada Dry bourbon for four years. Although Canada Dry already "owned the product and all the inventories, the purchase of the facilities is definitely a growth step for us," president Moore feels. He continues: "We are starting immediately on the construction of additional warehousing there to increase our storage capacity for maturing Kentucky bourbons."

Another modernization step took place in the soft drink line this Spring. The 69-year-old company moved New England bottling operations from two outmoded plants in Boston and Chelmsford, Mass to one integrated facility at Waltham, Mass. The new factory can produce over 5,000,000 cases annually of everything from ginger ale to various fruit sodas to the Glamor line of dietetic drinks.

The company has also introduced Fruit Punch (a combination of flavors) this year. Hard and soft, Canada Dry now has "over 50 products."

In the year ended September 1958 the company's sales rose 9% to $94,000,000 but net declined 1% to $3,520,000 or $1.41 a share due to "unfavorable weather conditions and large promotional expenditures."

Happily the promotions paid off and the weather improved in fiscal 1959. In the nine months to June 30 both sales and earnings hit alltime highs. Volume rose 4% while profits climbed to $2,153,000 (85¢ a share) from $1,939,000 (76¢) the year before.

For the full year ending this month Roy Moore predicts: "Sales might be pretty close to the $100,000,000 level." Wall Streeters figure earnings also should be up.

Canada Dry's 2,400,000 Big Board-listed shares have traditionally moved in a narrow range though the price has gradually edged up from 14 three years ago to around 21 now. But as a result of this placid pace, the present $1 annual dividend rate provides a calorie-filled yield of nearly 5%.

WE HEAR FROM . . .

For the past 14 years the policy of this section has been to print only letters of criticism or additional information. Because they would add little to the knowledge of readers, our numerous complimentary letters will be included only on rare occasions.

Snuff Records

MEMPHIS

GENTLEMEN:

I found your article on the snuff industry in the August 5 issue interesting reading and on the whole a very fair picture of the snuff industry situation as it stands today.

I was a little disappointed that you overlooked the fact that not only did our gross sales reach an alltime high last year but also our net earnings were at the highest level ever reached; as a matter of fact, 1957 as well as 1958 both represented record earnings. We were the only company in the industry to achieve this.

Very truly yours,
MARTIN J CONDON, president
American Snuff Company

Frozen Food Figures

WASHINGTON, DC

GENTLEMEN:

I was very interested in reading your story "Frozen Foods Growth & Problems" in the June 10 issue. Certain inaccuracies, however, were present * * *.

You state "the Birds Eye Division of General Foods along with 1,600 other US processors turned out 4.6 billion pounds of frozen foods for which Americans paid $2.3 billion." Actually, there are approximately 1,200 packers processing more than 5.0 billion pounds of frozen foods valued at $2.6 billion. Continuing, seafood accounts for 6% of the total poundage, rather than one-eighth, or 12.5%, and vegetables and fruit account for 28% and 12% respectively, not 27% and 14%.

You further state, "206,000,000 gallons (reconstituted) of frozen orange juice, a figure 25% below the previous season's record." Actually, 235,000,000 gallons would be nearer the truth and this figure is about 21% below 1957. The Quartermaster Corps Military Subsistence Supply Agency purchases about 100,000,000 pounds of frozen foods a year, 2% of the industry's output, not 226,440,000 pounds or 5%, as you state * * *.

Frozen foods have come a long way in the relatively few years they have been on the market. The future potential is staggering. Virtually everyone in the United States has eaten frozen foods at one time or another and a little better than 50% of the nation's families are now using them regularly. Improvements in packing and handling, extensive expansion of the 2,000 items already available and increasing use and acceptance of home freezers will push the industry's volume to record heights in the coming years. Already, frozen foods account for about 8.5% of the nation's food dollars, according to George Kline, Executive Editor of *Progressive Grocer Magazine* * * *.

In closing, I would like to compliment you on your fine story and express the industry's appreciation in your interest in our business. We are highly flattered.

Very truly yours,
L S MARTIN, secretary-manager
National Association of
Frozen Food Packers

As a young, farflung and constantly changing industry, the frozen foods business sprouts a vast crop of statistics, often conflicting and never all-inclusive. While checking many sources, IR in the interests of consistency based its figures wherever possible on the *1959 Almanac of the Frozen Foods Industry* and supplemental data supplied by its publisher, *Quick Frozen Foods* magazine.

The chief problem seems to be one of definition — whether volume is figured on a packer, distributor or consumer basis; in determining just what makes up the various categories; or for that matter, just what counts as frozen food. But however it's figured, there is solid backing for foodman Martin's proud claim frozen foods have come a long way in a short time.—*Ed.*

Textile Specialist Collins & Aikman

**Upholsters the Jets,
Bearhugs the Coeds and
Spins a Profitable Yarn**

THOUGH SMALL compared to giant textilers Burlington and J P Stevens, the $31,500,000-assets Collins & Aikman Corp is a leader in its own specialties. The 115-year-old New York weaver is a major supplier of upholstery materials and a pioneer in unusual uses of pile fabrics.

In recent years its profits have suffered along with other textilers caught with inefficient, unnecessary or obsolete operations amidst the revolution of miracle fabrics. The last decade has also been one of transition in geographic location but the process of relocating in the South (mainly North Carolina) is largely completed and the new operations are running more smoothly. After losing money on its "flat fabric" (for wearing apparel) business for several years, C&A finally discontinued that operation at Bristol, RI in 1956. According to president Ellis Leach, the company realized "we could not compete with the larger companies in that field and should concentrate our abilities elsewhere."

British - born, Maine - raised Ellis Leach has worked for various textile firms for 36 of his 52 years. He came to Collins & Aikman as president in December 1956 as the company was winding up its February 1957 fiscal year with a $1,580,000 deficit, its third (and worst) loss in four years. In fact president Leach's first three months were C&A's darkest quarter—largely from closing out the apparel flat fabric business. But with this major alteration sewed up, Ellis Leach stitched an $850,000 profit in his first full year and in the year ended February 1959 C&A (or CK as it is known on the Big Board ticker) earned a respectable $1,170,000 or $2.27 a share on sales of $45,360,000.

Style, not Staples. The president credits this performance to the successful transition and the "getting away from staple items which because of competition are being carried as overhead. Instead we now put the emphasis on style." He firmly believes "our forte lies in the finish of a product."

Traditionally the name of Collins & Aikman has been associated with the automobile industry but the two are no longer the bedfellows they once were. Twenty years ago 85% of C&A's $22,600,000 volume came from Detroit and the company had the auto market pretty much to itself. Although GM, Ford and Chrysler are still big customers for seat upholstery and carpeting (in fact even the channel cloth in the window casings of virtually all makes are from the looms of C&A), today's car uses much less yardage of C&A-type fabrics. This is because the pile or plush car upholstery of yesteryear has given way to flat fabrics and even plastics, especially in body lining. So autos are down to less than 30% of total C&A volume.

However Ellis Leach happily notes

"the style in the Sixties is apt to call for more of our fabrics again." This year's sharp recovery in car production plus expectation of a better '60 obviously adds some near-term cheer.

But realistic C&A looks for no such demand pick-up from another erstwhile "quite sizable" client—the railroads. Fewer passengers and abandoned trains have meant next to no new cars and also very few upholstery maintenance orders.

Chair in the Air. However transportation is still the biggest market for C&A — since the company has taken to the air in style. Sales manager Edward A Smith of the transportation fabrics department (who creates many of the designs himself) contends: "You can board an airline anywhere in the world and be sure you're either sitting or stepping on a Collins & Aikman product. Even the Japanese who are famous for their textiles asked us to design a fabric for them."

To outfit a Boeing 707 or Douglas DC-8 requires 750 yards of 54-inch material for seats and draperies plus 150 square feet of carpeting. Lockheed Electras take a little less—450 yards for seats and draperies and 100 square feet of floor covering. With approximately 700 jets and turboprops on order, there is a mighty big fabric market and C&A has a "major" share of it.

Today's flying fabrics must meet both style and endurance standards. For instance, some of American Airlines' Electras sport a combination of Glen Cannon and Dundee fabrics for a tweedy look five miles up. The

Collins Wild & Wooly Bear Hug

basically nylon materials must be extremely light-weight and flame-resistant, also durable enough to withstand weekly cleaning.

Even Dwight Eisenhower's Columbine III is partially upholstered with C&A fabric as has been every Presidential plane since the days of FDR. Serviceable as well as decorative, Collins & Aikman Bedford Cord covered the seats in many wartime bombers.

The textiler still does some business with the military but it has dwindled due both to more competition and fewer planes. Upholstery fabric orders for Government offices have also waned. But C&A has designed made-to-order seat covers of turquoise and brown striped nylon with gold metallic decoration for

Uncle Sam's VIP jet transports. These Government jobs are good examples of C&A's new philosophy of seeking the fancier markets and leaving low-priced bulk jobs to others.

Another large market for C&A specialized goods is the furniture industry. In the heyday of auto orders, furniture upholstery accounted for less than 10% of sales but both volume and percentage share have risen since the war. The purchase of furniture fabric specialist Stead & Miller in 1952 greatly expanded Collins & Aikman's existing line into damasks and novelty weaves. As a result about 25% of C&A's sales last year were made to manufacturers like Kroehler, Rowe and Heritage as well as directly to retail outlets.

Display rooms at C&A's Madison Avenue executive offices are bright with bolts of fabric showing 80-to-100 different patterns. They are available in endless variations from eggshell white to the popular new coral and in subtle hues to suit any taste. As youthful C&A treasurer Alexander Coutts Stewart states: "It's color more than pattern that's selling today."

When it comes to the apparel division however, it is the weave which is all-important. Before C&A discontinued its flat fabric business which made material for both men's and women's clothing, apparel provided 15-to-17% of total volume. The division fell to half of that after the first "flatless" year. But now it is concentrating its talents on creation of new high pile fabrics, a field in which Ellis Leach sees "great opportunity."

Bear Hug Honeys. In this age of miracle materials researchers can synthesize practically anything and several Collins & Aikman products look as if they came straight from the furrier. Wink (man-made mink) and Kissing Cousin (resembles seal) have both been very popular in women's coats—as warm liners, reversed for outerwear or as just a fur trim.

C&A is currently in the midst of a bonanza it struck quite by accident. Described as a "hot new number," Bear Hug coats have been selling at New York's Lord & Taylor like the raccoons of a few years back. The shaggy pile fabric started its career as a men's jacket lining, caught a designer's imagination and will wind up this Fall on the backs of hundreds of college girls. It is one of the items which will help push apparel back up to 10% of sales.

A relatively small line (5%) but one which fits in well with C&A's abilities is toy fabrics. The "fur" of plushy Teddy Bears is made of viscose rayon in the pile fabric division. Far from the nursery is another minor item: linings of bearing boxes on diesel locomotives, made of a 100% nylon fabric,

Supplier and Supplied. C&A purchases its filament yarn needs from textile chemists duPont, American Viscose, Chemstrand, Celanese, etc. But the main constituents of many of its products come from C&A's own spun yarn division. In addition the division spins an important 15% of total C&A dollar volume by selling about half its yarn output to outside knitters and weavers such as Rose Mills, Security

Mills, JP Stevens and Burlington-controlled Sidney Blumenthal.

Back in the Thirties C&A common stock often outshone the rest of the market, sold as high as 62 in 1937 when it earned $3.85 a share. But in the last ten years the stock has shuttled between 12 and 24. It broke through to 28½ last Spring; last week the 515,000 shares were quoted around 26.

Like the stock price and earnings, dividends are nowhere near the 1937 level of $3.50 a share. But after a year's suspension, C&A resumed 15¢ quarterly payments in Spring 1958, pushed up to 20¢ early this year.

On the current earnings front, the company's successful juggling of its product mix spurred it to a net of 42¢ a share in the May quarter as against a loss last year. Ellis Leach thinks "the second [August] quarter should equal last year's 75¢ a share and the third and fourth quarters should be as good." Treasurer Alex Stewart adds: "We expect sales in excess of $50,000,000 for the full year." And then more cautiously: "Underline 'expect'—anything could happen."

Automatic Canteen's Silent Sales Force

Vending Machines Increase Profits At Home & Abroad

HAPPY mass-vender Arnold M Johnson of Automatic Canteen Company of America declares: "Our industry is not recession proof but it is recession resistant." Evidence: Automatic Canteen sales of $117,500,000 in the year ended September 1958 were up 4% from the previous record of fiscal 1957; 1958 earnings also hit a new peak of $3,300,000 or $1.53 a share *v* $1.37 the year before.

But such records are routine for the $41,000,000-assets vending merchant. In the last ten years both sales and earnings have increased almost six-fold. For the year ending this month president Johnson predicts yet another new set of records for the world's largest vending machine operator: sales up 19% to $140,000,000 while his "conservative" estimate for earnings would be $1.80-to-$1.85 a share. He smiles: "I hope to be able to apologize for this conservatism; we may earn more." He sees "little or no effect" on these results from the steel strike.

Along with higher earnings has come a recent climb by the 2,180,000 Automatic Canteen common shares (known as AUM on the Big Board). After a 2-for-1 split in July, 1958 the stock showed little activity for the better part of a year but since this May it has moved from a low of 26 to 40 last month when the announcement of a 5% stock dividend and a 2-for-1 split (to take effect by year-end) pushed the shares up an additional five points.

Notes president Johnson: "Our company has been the leader in the last ten years in stabilizing and developing the industry into a repu-

AUM president Johnson

table business. With the rapid growth in this young industry, depreciation of equipment has been high, so that the amount we charge off is higher than the amount we carry to common stock earnings."

The persuasive president also maintains: "With our executives and directors owning 25% of company stock, investors know where our interests lie. This is shown by the increasing interest of pension funds and institutions in AUM stock as a long term investment."

Power Drive. The big coins in the AUM machines come from cigarets (47% of total company sales), candy, gum and nuts (28%), coffee and carbonated beverages (19%). The remaining 6% comes from such miscellaneous items as pastries, milk, ice cream and sandwiches. Automatic Canteen is the nation's largest customer for Pepsi-Cola syrup, Hershey chocolate and Wrigley chewing gum. It ranks about fourth among mass cigaret buyers (after the supermarket leaders) with more than one out of every five packs sold through vending machines.

The snacks & smokes are distributed through coin-operated vending machines manufactured by wholly owned subsidiary Rowe Manufacturing of Whippany, NJ (acquired in 1955). Automatic Canteen not only manufactures vending equipment but maintains and services the coin-operated machines.

About 45% of sales through AUM's mechanical salesmen are made through equipment leased to franchised dealers; the rest are operated by the company through more than 50 subsidiaries throughout the US and Canada. Biggest locations: industrial plants where AUM venders feed hungry or snack-minded personnel.

Added Power. Automatic Canteen plans for continued growth. "There will be a gradual expansion into smaller cities and towns—and later front-of-store vending throughout the big variety, supermarket and drug chains."

Through Rowe AUM developed experimental machines for Grand Union. A battery of automatic venders outside the store at the food chain's New Jersey headquarters permits round-the-clock sales of a whole larder full of staples from butter and eggs to salami and coffee.

But Arnold Johnson comments:

"We are too busy with our present expansion plans to devote much time to outdoor vending now. There is a market which we'll investigate in the future."

Music Venders. Diversifying from its vending AUM has undertaken to provide "background" music to factories, restaurants, offices via special, self-contained record playing hi-fi sets (but no music vending by juke box). In March the company acquired AMI, Inc (Automatic Musical Instruments) for 121,000 shares of its stock. AUM chairman and founder Nathaniel Leverone explains: "The background music field has a vast potential which fits perfectly with the large and efficient distribution network which Automatic Canteen has established in connection with its vending operations."

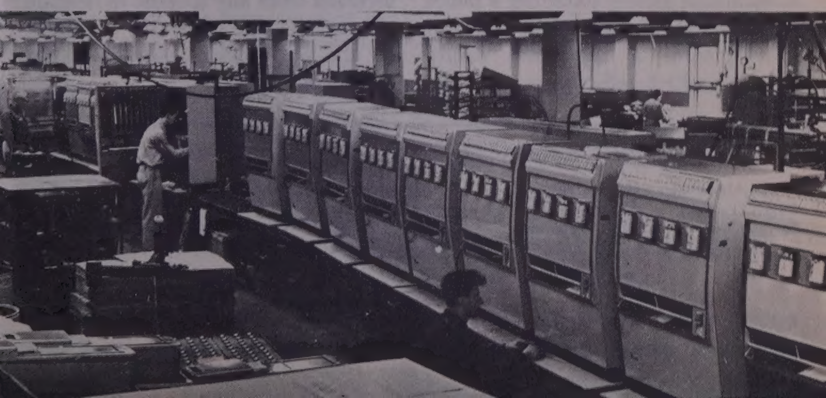
Last month the company contracted with Radio Corp to lease RCA's vast (4,000 selections) music background libraries. With this extensive musical library and AMI's newly developed, high fidelity instrument Automatic Canteen plans to offer its background music "everywhere the company is now in [the vending] business, particularly in manufacturing plants." The super long-playing stacks of 33 rpm records could be changed at the same time the food and cigaret machines are serviced. Arnold Johnson also hints at further acquisitions: "We have two other projects under consideration."

Overseas. In 1957 Automatic Canteen established foreign beachheads for its machines in Havana, Frankfurt, Stockholm and London. This June it licensed Hawker-Siddeley Group (one of the largest foreign producers of autos, airplanes, steel, chemicals) to manufacture a complete line of vending machines for sale throughout Britain.

On the Continent AUM is conducting a pilot experiment for supplementary in-plant feeding in the General Motors Opel plant in Germany (it serves about 40 GM plants in the US). In France the company is negotiating with a local group to manufacture AUM venders while in Italy it has signed a contract with a Fiat subsidiary for the manufacture of AMI equipment.

President Johnson explains

More venders to sell more smokes



AUM's overseas interests: "With the population of the Common Market countries alone equal to that of the US and employment high in Britain and all Europe there is a tremendous growth area open to us—in a few years I can see AUM European sales at the $50,000,000 level." To hasten the growth of the European market AUM stock has been listed on the Amsterdam Stock Exchange and this has proved "most effective as a lot of interest has been shown in the stock." AUM is also interested in the Far East where "inquiries have come from Japan and Australia concerning our automatic vending equipment."

Research. Backing up all AUM expansion is the company's $750,000 research budget. President Johnson reports: "We are always working on something new. Today the number of machines you operate doesn't matter anywhere near as much as the selection and capacity in the machine and the price range of items it can handle—this is what affects your profits."

The aim these days is to replace several small machines handling nickel & dime items with a single streamlined vender handling a much larger selection. One AUM research development: a 20-column candy machine which sells pastry, cookies, potato chips, box candy as well as a wide selection of candy bars, and will collect anything from a nickel to half a dollar. In the experimental stage is a vender for a "hot meal in less than 30 seconds from the refrigerated state to piping hot."

Strictly not "piping hot" is another well-known interest of Chicago-born (1907), educated (U of Chicago '28) and officed (AUM headquarters in the Merchandise Mart) Arnold Johnson: the Kansas City Athletics of which he is president and principal owner. But while visiting New York the other day (and watching another slumping American League team) he expressed confidence the A's would "come along."

He sounds more convincing, however, when he talks of the vending machine league where he expects AUM to keep winning the pennant. He looks for "sales of a quarter billion in a reasonable number of years" with profits to match.

He also states: "AUM's traditional policy of paying out about 60% of earnings in cash dividends and 5% stock dividend will continue." But like most corporate executives, he shied from any specific indication of what the rate (now 25¢ quarterly on the old stock) would be after the stock split.

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BRUNSWICK SETS ITS PINS

This curvaceous blonde does not come with all Brunswick-Balke-Collender Company automatic pinsetters. Even so, the pinsetters continue to strike up more sales and president B Edward Bensinger "anticipates installing in excess of 12,000 machines this year" v 11,000 last year and 7,000 in 1957. First marketed only four years ago, pinsetters now contribute about half of Brunswick volume. Another 30% of sales comes from its traditional line of bowling supplies, 10% from McGregor Sport Products and 8% from gym & school equipment.

In 1958 the 110-year-old recreation specialist posted a sales gain of 53% to $188,000,000 while net income doubled to $13,800,000 or $6.40 a share. For 1959 Tad Bensinger "looks forward to another record-breaking year in both total volume of business and profits." This plus anticipation of a stock split (which was formally announced two weeks ago on a 3-for-1 basis) pushed the stock to an alltime high of 109 on the Big Board early last month. It has since settled back to 104.

With most economically suitable old alleys converted to automation, machine installations in future years must largely come from new alleys. Even though bowling is a booming sport (over 10,000 new lanes this year), this heralds heightened competition between rivals Brunswick and AMF.

Brunswick looks abroad for a good part of future gains. At home its score should rise through this June's acquisition of A S Aloe Company, No 2 distributor of lab and hospital supplies with 1958 sales of $35,000,000.

KEEPING UP

We are all accustomed to the idea of obsolescence in our daily lives—to changing fashions, changing automobiles, changing cosmic theories. It's a normal condition of our existence, and readily accepted.

Yet many people who pride themselves on being *au courant* about clothes and cars and cosmologies are curiously unaware of the fact that their investments may obsolesce, too.

For instance, if you bought common stocks for dividend income several years ago, you might find—now that common stock yields have sunk to their lowest point in more than 20 years—that you would be better off with bonds. And if you bought growth stocks some time back and have seen them increase substantially, perhaps you should ask yourself whether they may have achieved their maximum growth for the present—and consider whether they might not prudently be sold.

Securities need replacing from time to time just as clothes and cars and cosmologies do. So don't let yourself outgrow your investment program. Keep in mind that obsolescence can become obsoleteness in no time—if you let it.

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